Initial Report of Workgroup - B Finance

Janet Olszewski, Chairperson

Workgroup B – Finance:

Acknowledgements:

- Sixty–Seven Individuals Participated
- Eleven LTC Task Force Members served on the Steering Committee
- All Members Served on One of Four Subgroups
- Substantial Staff Support from Legislative Offices, State Departments and LTC Associations

Workgroup B – Finance: Process

- 11 Member Steering Committee (Task Force Members)
- Four Sub-groups:
  - Single Point of Entry
  - Maximizing Resources
  - Incentives
  - Funding Mechanisms
- Meetings:
  - Workgroup meetings every 2-3 weeks
  - Subgroup meeting 1-2 times weekly

Workgroup B – Finance: Assertions

- Currently resources are not sufficient to adequately fund needed supports and services.
- The demand for long-term care supports and services will continue to increase.
- Medicaid dollars available to meet anticipated demands are already being fully utilized.

Workgroup B – Finance: Assertions

- **State legislative leaders and state policy makers must take concerted action to identify and make available non-Medicaid sources of funding.**
- **Increased LTC funding should not occur at the expense of other needed services.**
- **“Gained” LTC dollars must stay within the long-term care system.**

Workgroup B – Finance: Results

- <u>Recommendation 1</u>: Defined Single Points of Entry should be funded statewide.
  - Total cost = $66 million.
  - $36 million from current resources
  - Remaining $30 million reflects newly committed dollars needed for this purpose.
  - State share = $17.4 million.
  - A 1.8% System "Efficiency" gain could offset all of the new costs.

Workgroup B – Finance: Results

- **<u>Recommendation 2</u>: Finance the SPE system with Medicaid administrative funds and local resources.**

- **<u>Recommendation 3</u>: Provide full funding for external advocates to assist clients in accessing the supports and services overseen by SPE system.**

Workgroup B – Finance: Results

- **Recommendation 4:** Prohibit the use of essential LTC resources currently allocated to non-Medicaid individuals from being shifted to Medicaid eligible beneficiaries.

- **Recommendation 5:** The state's executive and legislative branches should make a long term commitment to adequate LTC funding.

Workgroup B – Finance: Results

- **<u>Recommendation 6:</u> Michigan should decouple its estate tax from the federal estate tax.**

- **<u>Recommendation 7:</u> Michigan must identify sources of non-federal governmental revenue being used to provide long term care and support services for Medicaid consumers, and create policies and procedures that will allow these funds to be used as local match to capture additional federal Medicaid dollars**

Workgroup B – Finance: Results

- **Recommendation 8: The Michigan Congressional Delegation must strongly advocate for the federal government to take full responsibility for the health care needs of the dually eligible.**

- **Recommendation 9: The Michigan Congressional Delegation should be asked to urge the Congress to revise the current FMAP formula.**

- **Recommendation 10: The appropriate state agencies must assure resources and staff with the requisite expertise necessary to implement the Task Force recommendations.**

Workgroup B – Finance: Results

- Recommendation 11: As an initial step, Michigan should adopt a Case-Mix reimbursement system to fund LTC services and supports.
  - Set rates according to the acuity mix.
  - Higher acuity equals a higher rate paid.
  - As the LTC system evolves, other appropriate funding mechanisms should also be considered and adopted; e.g., managed care and hybrid models.

Workgroup B – Finance: Results

- **<u>Recommendation 12:</u> Michigan should establish a mandatory estate preservation program instead of establishing a traditional Medicaid Estate Recovery Program.**
  - **If necessary to comply with federal requirements for an estate recovery program, consideration should be given to combining a traditional estate recovery provision with a voluntary estate preservation program.**

Workgroup B – Finance: Results

- Recommendation 13: **Create legislation to promote the purchase of appropriate LTC insurance policies and address:**
  - **rate setting issues;**
  - **insurance standards;**
  - **consumer protections; and**
  - **incentives for individuals and employers.**

Workgroup B – Finance: Results

- **<u>Recommendation 14</u>: Consider three specific strategies aimed at increasing Michigan citizens who have long term care insurance:**
  - **Expand federal approval for LTC Partnership Programs.**
  - **Expand the state employees' self-funded, long-term care insurance program to other groups.**
  - **Implement a state income tax credit for the purchase of long-term care insurance.**

Workgroup B – Finance: Results

- **Recommendation 15: Consider other tax credits or tax deductions for the purchase of long-term care insurance policies.**

- **Recommendation 16: Consider tax deductions or tax credits for out-of-pocket costs related to long-term care.**

- **Recommendation 17: Explore a "special tax exemption" for taxpayers who provide primary care for an eligible parent or grandparent (and possibly others.)**

Workgroup B – Finance: Results

- **Recommendation 18: Develop local and regional programs that support caregivers in their care-giving efforts (i.e. V*olunteer Service Credit Programs.)***

- **Recommendation 19: Workgroup B recommends ongoing and centralized data collection about Medicaid trusts and annuities by FIA to guide the need for state regulation.**

Workgroup B – Finance: Results

- **<u>Recommendation 20</u>: Strict and consistent enforcement of laws and regulations governing the inappropriate use of trusts and annuities for Medicaid eligibility is needed.**

- **<u>Recommendation 21</u>: More frequent, vigorous, and publicized prosecution of those who financially exploit vulnerable individuals is needed.**

- **<u>Recommendation 22</u>: Develop more cooperation between state agencies in combating Medicaid fraud, and recovering funds paid for inadequate care.**

Workgroup B – Finance: Results

- **<u>Recommendation 23</u>: New legislation for the regulation by the state of "trust mills" and annuity companies is essential for:**
  - **the prevention of abusive sales tactics;**
  - **the registration of out-of-state companies;**
  - **the screening of abusive sales materials; and**
  - **the disallowance of "balloon annuities"**
- **<u>Recommendation 24</u>: The appropriate state agencies must analyze and quantify the relationship between public and private resources, including both time and money, spent on LTC as a way to maximize the matching and use of federal Medicaid LTC dollars.**

Workgroup B – Finance: Results

Many issues require further study including the following that were not possible to address given the available time:

- **HSAs;**
- **Reverse Mortgages;**
- **Managed Care and Hybrid Funding Mechanisms;**
- **Prevention and Wellness Services;**
- **Cost Sharing for Community Services;**
- **Spend-Down HCBW Services;**
- **Co-payment Provisions;**
- **Others……**

Workgroup B – Finance: Results

Questions?